



Capitol Advocacy Center
110 W. Michigan Avenue, Suite 1200
Lansing, MI 48933
Phone (517) 703-8601
www.mha.org

TO: Members of the Senate Government Operations Committee

FROM: David Finkbeiner, senior vice president, Advocacy

DATE: July 30, 2013

SUBJECT: Senate substitute for House Bill 4714 to create the Healthy Michigan Plan

MHA Position: SUPPORT

Good afternoon Chairman Richardville and committee members. Thank you for the opportunity to be part of this discussion focused on the Healthy Michigan plan and the opportunity to both reform and expand healthcare coverage options for nearly 450,000 Michigan citizens. Thank you to the Healthy Michigan workgroup led by Sen. Roger Kahn for moving this critical issue forward.

For more than 25 years, the Board of Trustees of the Michigan Health & Hospital Association (MHA), made up of 25 hospital and health system CEOs from across the state, has maintained the goal of universal health insurance coverage for Michigan citizens. At our Board's direction, the MHA engaged in numerous efforts to increase access to affordable health insurance and achieve coverage expansion for the past 30 years. The Healthy Michigan plan provides the best opportunity in decades to connect our state's hardworking, uninsured individuals with affordable, comprehensive healthcare.

The Healthy Michigan plan outlined in the Senate's substitute for House Bill (HB) 4714 offers additional reforms to the state's existing healthcare plan for lower-income residents and to the Healthy Michigan coverage. These new reforms identified by the workgroup aim to further increase accountability for all stakeholders, measure success and compliance, and identify additional opportunities for state savings. The MHA believes that the Healthy Michigan plan proposed by the Senate workgroup offers the most comprehensive and affordable avenue to expanding coverage and saving state taxpayers a billion dollars, and does so for several reasons.

The Healthy Michigan plan for a covered adult, which will use managed care, will likely cost approximately \$4,000 annually. This is much less expensive than most of the managed care plans employers are currently purchasing for their employees. The difference is in the reimbursement rates to providers by different payers. Healthy Michigan rates, including those paid through private managed care companies, will pay less than the actual cost of delivering care. Not less than the amount charged; less than *what it actually costs* to deliver the care. Despite this shortfall, Michigan hospitals are ready to take on the care of everyone who can become eligible under the Healthy Michigan plan.

The Healthy Michigan plan reforms the current Medicaid program *and will* cover up to 450,000 more people through:

- using high-performing private insurers
- applying high-value co-pays to certain services and pharmaceuticals and premiums, which offset the plan's costs and insure personal responsibility among beneficiaries
- incentivizing providers and insurers to better manage the care of beneficiaries
- continuing to weed out abuse of the system
- requiring beneficiaries to be an active participant in protecting and enhancing their health by incentivizing healthy behaviors and more

Importantly, the Healthy Michigan plan will cover adults who are earning less than 100 percent of the federal poverty level and do not qualify for any other subsidy assistance to purchase individual coverage.

The Senate substitute also proposes reforms that would impact the uninsured and hospitals outside the scope of the coverage offered by the Healthy Michigan plan. Namely, it proposes a cap on the amount most hospitals can seek in payment from uninsured individuals who are living at or below 500 percent of the federal poverty level (FPL) (\$57,450 a year for an individual or \$117,750 a year for a

family of four). These payments will be calculated based on 115 percent of what Medicare would pay the hospital for the same service(s). The MHA believes this proposal is excessive, as hospitals are already paying for the expansion of coverage to the uninsured through significant Medicare and Medicaid cuts. Without the Healthy Michigan plan, Michigan citizens will be denied the opportunity for healthcare coverage; businesses and individuals who *do* pay for their insurance will continue to absorb the cost of the uninsured who seek care in emergency departments; and hospitals — who treat all, regardless of their ability to pay — will continue absorbing millions in uncompensated care *as well as* billions in Medicare reductions.

If the financial equation of coverage expansion is negative for hospitals, why does the MHA Board of Trustees continue to press the association to advocate for passage of the Healthy Michigan plan? Because hospital leaders know it is the right thing to do. They recognize that healthcare will never truly be a comprehensive, efficient and effective system if more than a million people in Michigan have no idea how they will receive the chemotherapy, the dialysis or even the stitches they need. To the best of their ability, most people insure themselves against large, unaffordable losses — but everyone is at risk for a serious illness or catastrophic injury. To protect state residents and guarantee that healthcare is available when needed, we need to expand coverage. The Senate substitute for HB 4714 proposes reforms we believe the federal government will approve and will move coverage expansion forward in a timely manner. House Bill 4714, as the Senate workgroup amended it, provides the best opportunity available to expand meaningful, affordable coverage to working residents.

